

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MASSACHUSETTS

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ESTER LELCHOOK, individually and as personal
representative of the Estate of David Martin Lelchhook;
MICHAL LELCHOOK; Yael LELCHOOK; ALEXANDER
LELCHOOK; and DORIS LELCHOOK,

Docket No:

Plaintiffs,

15-CV-13715 (PBS)

-against-

THE ISLAMIC REPUBLIC OF IRAN; THE CENTRAL
BANK OF THE ISLAMIC REPUBLIC OF IRAN (a/k/a
Bank Markazi Jomhuri Islami Iran); BANK SADERAT
IRAN; and BANK SADERAT, PLC,

Defendants.

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DECLARATION OF GARY N. KLEIMAN

I, Gary N. Kleiman, of the city of Washington in the District of Columbia, this 21st day of September, 2016, declare pursuant to 28 U.S.C. § 1746, as follows, subject to penalties of perjury:

A. Professional Background

1. I have operated a consulting firm specializing in global emerging economy and financial market analysis for 30 years, with coverage and firsthand experience in 75 countries throughout Asia, Latin America, Europe, Africa and the Middle East. Verbal briefings and written reports are standard products, and the public and private sector client base includes banks, fund managers, government agencies and international development organizations.

Financial system monitoring and tracking focuses on a comprehensive banking and securities market policy and performance range across monetary institutional, legal-regulatory, and operational issues. In this report I will address Iran's historic and current state-dominated commercial bank environment, leading participant Bank Saderat in particular, including Tehran Stock Exchange findings derived from its listing as a public company.

2. I was designated the first individual financial sector expert for an IMF-World Bank program to assist low and middle-income countries, and was an adjunct professor at the Georgetown University School of Foreign Service where I created a graduate emerging market finance course. I held a 20-year contract to advise the US government on economic and financial crisis, and served as an expert witness in sovereign debt default cases.¹ I have been a columnist for the Financial Times and other publications, and completed international political economy studies at Georgetown, Sciences Po (Paris), and the London School of Economics. A copy of my CV is attached hereto as Exhibit A.

3. Although I have not traveled to Iran due to restrictions the past decade, my direct involvement with Iran's banking and capital markets dates back 15 years to a project working with the Istanbul, Turkey-based Federation of Eurasian Stock Exchanges with Teheran as a member. I regularly followed developments there and posted updates on our website's Emerging Market Talk blog before the recent nuclear deal easing trade sanctions. In the past year I have written economy and banking-related articles analyzing Iran for the *Financial Times*, *Asia Times*, and *BNE Intellinews*; I have also spoken at government and industry events looking at

¹ *Walker International Holdings Ltd. vs Republique Populaire du Congo* [2005] EWHC 2813; *Donegal International Ltd. vs. Republic of Zambia, Mofed Ltd.* in the High Court of Justice Queens Bench Division (Commercial Court), [2007] EWHC 197 (Comm) Case No: 2005-190.

modernization and reform challenges in Iran associated with potential new foreign financial services and portfolio investment.

B. Nature of Report

4. I have been asked by counsel for the plaintiffs in the case of *Lelchook v. Iran* for my professional opinion as to whether co-defendants Bank Saderat and its London subsidiary Bank Saderat Plc acted on behalf of Iran to carry out Iranian government foreign and security policy when it transferred funds to Hezbollah. I rely herein on previous knowledge and documents, and an existing information and professional network mainly in Iran and Europe that offered research reports and personal insights. In addition, since the Vienna sanctions accord, several dedicated international funds have been launched from London and I have reviewed their documentation which examines and promotes Iranian bank and debt and equity market participation.

5. I also have consulted the US Treasury Department's conclusions about Saderat's structure without regard to the particulars of its terror funding record that may be the subject of other expert determination, and Justice Department findings regarding global banks fined for hiding Iranian correspondent transactions. Since investment prohibitions remain in place under IRSA legislation, which expires at year-end, I spoke with US individuals who have visited Iran and are interested in venture capital and other activity once Congress clarifies engagement rules, but they preferred not to be quoted or to furnish background materials until that time.

C. Iranian Bank and Credit Institution Overview

6. Iran's 1979 revolution enshrined state domination of banking and other strategic industries following Islamic principles, which differ from Asian and Middle East practice but replace interest with a fixed return and also allow risk-sharing "participation" in equity-like

instruments. The sector is the world's largest Islamic-only one, with assets equal to the economy's size. Article 44 of the Constitution orders bank and insurer "public administration and ownership" within a planned economy. Following nationalization, control of the banks was transferred to the Ministry of Economy and Finance, which became responsible for appointing top executives. Banking's share of the financial sector has been steady at around 80 percent, although the equity market, reopened in 1989, has grown since 2009 privatization affecting the main three government banks, Mellat, Tejarat and Saderat to be further explored below. Private debt barely exists and the public bond market is less than 10 percent of GDP, although pilot issuance of "sukuk" Treasury bills began last year. Banks provide consumer and corporate lines subject to strict lending and deposit rate limits, and indicative agricultural and industrial allocation by the central bank ("CBI") within the broader politically-directed Money and Credit Council, an Iranian governmental institution discussed in detail below. In the last Five Year Development Plan (2010-15), 80 percent was directed to priority sectors – manufacturing and mining (35 percent), farming (25 percent), and construction and housing (20 percent).

7. In 2003, the World Bank² complained that Iran had no proper private sector definition as President Khatami enacted privatization policies. It said the private sector should not receive budget allocation or be under government financial and management control, and that state bank and company balance sheet and activity information was "unclear and lacked transparency." It recommended a 20 percent total cap on direct and indirect official shareholding, which would be followed in the case of Saderat (and other state owned banks that underwent "privatization") by its sale at end-decade just for the direct government stake.

² World Bank, 2003 as cited in "World Bank calls on Iran to Define the Private Sector," *Payvand News*, November 25, 2003.

8. In 1999, the government of President Mohammad Khatami announced a wide-ranging privatization plan to include banks in the Third Five Year Development Plan, and two years later established, the Iranian Privatization Organization, but the number of public sector companies increased during Khatami's presidency. At the end of his second term, Iran's Expediency Council, chaired by former President Hashemi Rafsanjani, reinterpreted the Constitution's Article 44. The amendment allowed for the privatization of 80 percent of the state's assets; public ownership was replaced with government supervision.³ So, while government ownership was to be transferred through share sales, in the case of the banks including Saderat, oversight and government control through management appointments were not altered. The extent of state ties prior to privatization were revealed in 2002 by a Saderat board member, who noted that the government and state-owned companies owed USD 7 billion to banks. At the time, Saderat's outstanding loans totaled nearly USD 6 billion, of which more than 25 percent was in mandatory loans granted to the government and a further ten percent government-directed lending to the private sector.⁴ In international affairs, President Khatami combined a conciliatory approach with continued backing for so-called revolutionary states and movements, such as with Syria when he attended President Assad's funeral in 2000 and pledged support for his son assuming power.

9. During the Mahmoud Ahmadinejad (2005-13) Presidency, US and UN sanctions were first imposed on Saderat (and its London subsidiary, Bank Saderat Plc) for terror facilitation, against the background of Ahmadinejad's well-known anti-Israel sentiment including a statement "to wipe it off the map." His tenure of foreign policy confrontation

³ Azad, Shirdzad. "The Politics of Privatization in Iran," Rubin Center Research in International Affairs, December 5, 2010.

⁴ Payvand.com. "Reduction in Flight Capital," August 20, 2002.

overlapped with large populist small business and cheap housing credit schemes, which spurred double-digit inflation with liquidity expansion, and a spike in bad loans. Financing for these programs were also sourced directly from the central bank's balance sheet in a quasi-commercial role interfering with monetary policy conduct. Such policies did not benefit the banks commercially, but advanced the Iranian government's social and political goals.

10. Licensed banks include a "private and privatized" group of 26, with Saderat in that category, almost all listed on the stock exchange, and three state-owned units: Melli, Sepah and Post. Unlicensed providers have proliferated, said to be associated with the Revolutionary Guard and other influential sponsors, but following failures and complaints about unfair competition, they will now be regulated under Banking Law Amendments while the new Five Year Development Plan also bans intermediation without oversight. Previously hundreds of cooperatives under that Labor and Cooperative Ministry and microfinance charities offering loans were brought under CBI jurisdiction. The total book value of assets for central bank-recognized institutions was over \$500 billion as of the end-March 2016 fiscal year. Tehran stock market asset size was \$200 billion and the big three privatized banks – Mellat, Saderat, and Tejarat – represented two-thirds of that figure. Foreigners in principle can acquire minority stakes in local institutions but have limited entry to branch launch.

11. Seven financial institutions listed on the Tehran Stock Exchange, led by Pasargad and Parsian, were originally private following authorization in 2001 and their ownership mostly continues that way, unlike the residual state control for Saderat, Mellat and Tejarat. For them the government still directly holds a 20 percent stake, 40 percent are "justice shares" distributed to the public from 2009-13 through provincial investment firms which are ultimately controlled by

the government, and the rest is mostly in the hands of official pension funds and state-linked firms.

12. A 2012 Iranian Chamber of Commerce study⁵ named the four primary beneficiaries of the Ahmadinejad-era share transfer program pursuant to which Saderat was “privatized”: military organizations, religious foundations, retirement funds, and the revolutionary bonyads (charitable trusts). From 2005, when the privatization campaign was launched, until 2009, fewer than 20 percent of state firm offerings went to actual private buyers, according to a review by the parliament’s (Majlis) research center.⁶ Iran’s Privatization Organization, an Economy Ministry arm that holds residual stakes in state-owned firms and oversees offering procedures for outside buyers, intended to carry out Supreme Leader Khamenei’s reinterpretation of Article 44 of the Constitution calling for 20 percent reduction in public economic intervention over five years. As part of this process, over \$100 billion in assets changed hands by 2008. A key element was to shift ownership to self-help profit-sharing urban and rural cooperatives promoted since the Revolution, and over which the government retained control through the Labor and Cooperatives Ministry, and to the poor and disadvantaged as defined by six categories who received “Justice” discounts under 10-year repayment and mandatory holding periods. The state enterprise share divestiture formula was 40 percent to Justice and 20 percent each to retail and institutional investors.

⁵ Iranian Chamber of Commerce, Industry, and Mining, Study of Participation of Sectors of the Economic System in the Privatization Process in Iran from 1380-1390 (Tehran: Center of Cultural Affairs and Publishing, 2012); Cited in Harris, Kevan, “Iran’s Corporate Structure: *Parastatal vs. Private Sector*,” World Bank presentation, June 17, 2015

⁶ Strategic Majlis Research Center, “Empowerment and Elevation of the Nongovernmental Sectors in the Fifth Development Program,” Tehran, December 2009, pgs. 13-14; Cited in Alfoneh, Ali, “The Revolutionary Guards’ Looting of Iran’s Economy,” American Enterprise Institute for Public Policy Research, Washington, DC, No. 3, June 2010

13. The “big three” – Mellat, Saderat and Tejarat – provide 60 percent of loans and deposits in Iran, but lag purely private competitors across a range of standard financial and operating measures including asset quality, efficiency, and profitability, and thus command lower stock prices.⁷ They also depend more on central bank borrowing for their own funding— and as noted below in recent years Saderat’s central bank borrowing stood above industry norms at almost 15 percent of its assets – and work closely with separate state-owned specialized banks for exports, agriculture, and housing.

14. As Saderat was “privatized” in 2009, a German think tank⁸ enumerated woes including the inability to consider sound business and investment objectives with “forced government policy implementation” and development funding diversion “for unviable projects or other intentions.” The analysis further noted that “in recent years, the banks have become an apparatus for distributing money and credit under the command of the government with no regard to soundness and economic logic of the investments.” A 2014 article in *Al-Monitor*,⁹ which covers the Middle East, reiterated that the privatized banks were still under official sway “as clearly documented by managing director appointments, which are the responsibility of the General Assembly of Public Banks which falls under the Ministry of Economy. A 2015 reference in Iran’s *Financial Tribune*, the first English-language newspaper in the field, described Saderat shares as actively-traded but “still mostly government-owned.”¹⁰ This was presumably a

⁷ Turquoise Partners-Firouzeh Asia, “Iranian Banking Sector Report, Tehran, June 2016, pgs. 33-42.

⁸ Naghshineh-Pour, Amir. “Iran’s Banking and Monetary Problems,” MPRA (Munich Personal RePec Archive), MPRA Paper No. 15790, 18 June 2009

⁹ Khajehpour, Bijan, “Can Iran’s Private Banks Make a Difference?” *Al-Monitor*, January 3, 2014

¹⁰ Mirmohammadim Seyed Morteza , “Saderat Tops Lenders in Stock Market Activity,” *Financial Tribune*, July 9, 2015.

reference to the facts that the allegedly privatized shares were still controlled by the government through its control over entities like the provincial investment companies and the Privatization Organization and that these shares cannot be publicly traded on the Tehran stock exchange.

D. Central Bank of Iran and Monetary and Credit Council

15. A 2016 Financial Times article¹¹ described Iran's lenders (such as Bank Saderat) as "mostly nominally private but affiliated to state bodies" with poor capital adequacy and regulation and "further weakness" imposed by President Ahmadinejad's policies coinciding with the sanctions regime. In the same piece the current governor of the Central Bank of Iran (CBI), Vaiollah Seif, called the lenders "outdated," and urged international capital and safety standard compliance with the reported non-performing loan ratio at 15 percent. A handful of state connected individuals and companies are believed to be prominent on a confidential defaulter list, illustrating the difficulties of debt collection and enforcement in the protected insider system. An independent analysis¹² noted that "many privatized firms have been loss-making and are sustained by loans from state banks, which may never be paid back. The privatizing of the firms and taking bank loans in order to hide their losses has been a means to understate the government's role in the economy."

16. The central bank governor is a trained economist, but the appointment has been politically-charged post-1979 with rules introduced since the original 1960 and 1972 enabling acts to ensure Islamic Revolution-friendly incumbents. The Economy and Finance Minister nominates a candidate who must be approved first by the Cabinet and then the President,

¹¹ Bozor, Najmeh, "Iran's 'Outdated' Banks Hamper Efforts to Rejoin Global Economy," *Financial Times*, January 19, 2016.

¹² Azad, Shirzad, "The Politics of Privatization in Iran," Rubin Center Research in International Affairs, December 5, 2010.

following 2014 revised procedures from the Expediency Council, the highest clerical body. Prior to the revision, the Governor was appointed by the president under the 1972 Banking Law on recommendation of the Finance Minister and approval of the Council of Ministers. The governor appoints deputies who serve on the Executive Board, and the term was extended from 3 to 5 years, but with frequent reshuffling the former has been the normal tenure length. The separate stock exchange regulator is also a government post.

17. The appointee is just one participant on the 11-member Monetary and Credit Council (MCC) responsible for setting deposit and lending rates, reserve requirements, prudential oversight and sector allocation guidelines. The MCC enforces general rules for directors dating from the 1972 banking law, to ensure that they are Iranian and do not have a criminal record, but state bank appointments and dismissals are the responsibility of the Minister of Economic Affairs and Finance, subject to presidential approval, who chairs the General Assembly of Government-run Banks. The current Economy Minister this year removed the heads of Bank Saderat, Mellat, Refah and Mehr for “exorbitant salaries.”¹³ Proposed amendments to the statute now under consideration would introduce a “fit and proper” candidate test based on knowledge and experience, criteria common in most countries. The Industry, Planning, and Finance Ministers sit on the Council along with the Attorney General and Chamber of Commerce head, two technical experts, and parliamentary observers. The MCC has a dual mandate to ensure price and currency stability, and to aid commerce and economic growth in line with the government’s Five Year Development Plan and other policy priorities.

¹³ Al-Monitor, “Four Heads of Iranian Banks Fired for High Salaries,” June 30, 2016, and “Iran Sacks Heads of Four State Banks Over High Pay,” June 15, 2016

18. This arrangement ensures CBI's adherence to Iranian governmental policy and restricts CBI monetary and bank supervision independence.¹⁴ Money supply and inflation targets were routinely missed during the Ahmadinejad administration. A 2012 study by Iran's Monetary and Banking Research Institute,¹⁵ a think tank, attributed the poor performance to member clashes, limited tools, *and the government's runaway spending and debt accumulation undermining objectives*. A recent book¹⁶ noted that state banks, including Saderat, were routinely tapped to supplement central bank advances, and those officials who disagreed with the President's vision "were dismissed within a short period." Today credit growth continues at a double-digit pace, with experts estimating that over half of business is to roll over previous lines.

19. In 2008, a removed central bank head, who tried to curb interbank and Finance Ministry access, accused the President of "looting and raiding "with his monetary policy and project schemes and demanded that "depositor money be separate from the government's." The Financial Times disclosed that his "more malleable" replacement planned to quickly disburse \$7.5 billion in industrial loans and would pursue a \$15 billion request in parliament for state bank recapitalization.¹⁷

¹⁴ Central Banks in developed and most developing economies are independent in law and practice, and set monetary policy and interest rates without government interference. Amendments were proposed in July to the enabling statute granting greater autonomy to Iran's Central Bank to converge with global emerging market trends.

¹⁵ Turquoise Partners-Firouzeh Asia, "Iranian Banking Sector Report, Tehran, June 2016, pg. 24

¹⁶ Magri Paolo and Annalisa Perteghella. "Iran After the Deal: The Road Ahead," Italian Institute for International Political Studies, Milan, 2015, pgs. 34-35.

¹⁷ Bozorgmehr, Najmeh, "'Looting' of Iran's Central Bank Assets Hit," *Financial Times*, October 6, 2008.

20. The International Monetary Fund's December 2015 Article IV¹⁸ review urged "immediate action" on the legacy of "severe challenges," dating back to the pre-privatization period Banks are undercapitalized at an under 10 percent/assets ratio, half the regional average, double-digit bad loans are inadequately provisioned, and risk management systems are lacking, it said. Partly-private lenders such as Saderat have the worst financial soundness indicators, but private ones are often part of larger business conglomerates which can transmit their own difficulties. CBI inspection and enforcement powers should be strengthened on loan classification, governance, and information reporting, and a mechanism such as a central disposal agency should be set up for asset restructuring, the Fund recommended. No formal deposit insurance exists and although implicit guarantees are assumed for state providers, resolution scope and procedures have not been tested in a failure. Dividend payment and obligatory industry credit could be suspended to stabilize balance sheets, but long-term reform will require further consolidation and modernization, it concluded.

21. Corruption and tax evasion are longtime problems and Iran fell from 78 to 144 out of 180 countries on Transparency International's index during the Ahmadinejad years (and was still at 130 in 2015). On the World Bank's "Doing Business" ranking, which measures government interference, the score is likewise near the bottom at 120. The recent embezzlement case of billionaire Babak Zanjani, who was sentenced to death, implicated a former central bank chief, Mohsen Nurbaksh, in black market currency speculation. Another scandal widely reported in the international press in July 2016¹⁹ involved high unexplained six-figure salaries and

¹⁸ IMF, "Islamic Republic of Iran: 2015 Article IV Consultation," Washington, DC, December 2015, pg. 17

¹⁹ Erdbrink, Thomas "Iran's President is Confronted by Scandal Over Inflated Wages," *New York Times*, July 17, 2016; "Bozorgmehr, Najmeh, "Salary Scandal Forces Resignations at Iranian Banks, "

bonuses for state bank executives, with current President Hassan Rouhani ordering a crackdown and investigations and the firing of four CEO's, including Bank Saderat's.

22. Saderat itself was at the center of the biggest fraud to date in 2011, according to the US Institute for Peace,²⁰ as the original issuer of letters of credit to the Arya Group, which used them for \$2.8 billion in total borrowing from Mellat and other banks in addition. The 50-firm conglomerate reportedly misrepresented its figures and bank officials took bribes to waive the usual waiting period. The central bank did not check or looked the other way, critics charged, with the Money and Credit Council "packed with supporters of Ahmadinejad's closest aide." Saderat's chief executive resigned, and the note concluded that such practices were a result of loss-making standard lending and connected companies "gaming the system" to allow the buildup of vast post-privatization holdings "at fire sale prices."

23. Despite the Iran deal UN resolutions which have allowed Iranian banks to reconnect to the SWIFT international payments network, these banks do not comply with the anti-money laundering and terror funding protections codified by the Paris-based Financial Action Task Force (FATF) and its regional Eurasia group which the country has not joined. The parliament recently passed legislation to criminalize money laundering and terror funding activities, but implementation remains uncertain and outside international monitoring has been rejected. Moreover, such provisions were not in place or considered in the early and mid-2000s during the period relevant to this case.

Financial Times, July 5, 2016; "Iran Sacks Bank Chiefs Amid Uproar Over High Salaries," BBC News, June 30 2016.

²⁰ Harris, Kevan, "Iran's Massive Banking Scandal," US Institute of Peace, October 17, 2011.

24. As it stays on the FATF “black list,” the central bank governor stated that “Iran itself will define terrorism.”²¹ Iranian officials have made clear that Iran’s definition of terrorism is not the same as that of the United States or the European Union. In this regard, CBI’s deputy for anti-money laundering affairs, Abdolmahdi Arjmandnejad, stated “liberation organizations are not subject to this law and the Supreme National Security Council decides who is a terrorist.”²² Similarly, Iran’s nuclear negotiator, Abbas Aragchi, recently made clear that it does not consider Hezbollah to be a terrorist group, saying “[w]e have clear red lines and will not sacrifice Hezbollah.”²³ According to the Wall Street Journal, the 2016 Basel Anti-Money Laundering Index has identified Iran as the world’s top global money laundering threat for the third straight year.²⁴

25. President Rouhani convened a conference in January 2015 to consider banking crisis solutions, and last month promised a detailed plan early next year that may incorporate IMF-suggested elements. His team has relaxed forced lending and applied stricter prudential rules, newsletter Business Monitor International commented.²⁵ However, Iran’s regulatory framework follows the old Basel I model, a decade behind the current Basel III with complex capital, liquidity and operating formulas. The economy is just emerging from recession, with 4 percent predicted growth this year contingent on global oil prices. The currency’s sharp depreciation against the dollar has stabilized, but a two-tier system endures. A year-end timetable

²¹ “CBI Not to Give Away Banking Accounts Information to Foreigners,” The Iran Project, July 5, 2016; original information sourced from Tehran-based Mehr News Agency.

²² Dershowitz, Toby and Saeed Ghasseminejad, Will Iran Wordsmith its way off our Terror List? It Certainly, The Hill, July 25, 2016.

²³ Ibid.

²⁴ Rubinfeld, Samuel, Iran Again Holds Top Spot on Money-Laundering Risk Index, The Wall Street Journal, July 28, 2016.

²⁵ BMI Research, “Iran Commercial Banking Report Q1 2016,” London, October 2015.

for unification has missed previous deadlines, with the official exchange rate much higher than the parallel one.

26. Real interest rates remain steep to curb borrower appetite, with inflation now at 9 percent and the benchmark lending mark just reduced to 18 percent, while banks must pay off previous long-term deposits above 25 percent. In recent years they turned to non-credit activity to overcome these squeezes, particularly increasing real estate holdings acquired partially from collateral recovery on defaults. However, the government has ordered them to divest these lines over a three-year period and return to their core intermediation function. Recent sales attempts have been unsuccessful with the depressed property market.

27. Banks are owed billions of dollars in contract arrears they expect from unfrozen sanctions accounts, but the money could be diverted for infrastructure and other purposes. Under a Finance Ministry plan such payments could be securitized as bonds as an alternative business line in an attempt to promote capital markets, but a Treasury bill experiment last year met with tepid response. The government is also in negotiations with international ratings agencies to obtain a credit rating after the last sovereign Eurobond, with a speculative “B+” grade, was repaid in 2008 and the process insists of greater disclosure of state bank contingent liabilities. The system faces “weak” balance sheets in the words of the IMF,²⁶ and President Rouhani’s team has considered a range of options, but dramatic shakeup of the semi-private trio (Mellat, Saderat, and Tejarat) has yet to be proposed with state prerogatives intact on ownership, management, and local and cross-border dealings. Two bank reform bills were introduced at the end of July, which would grant greater central bank monetary policy autonomy and bring non-bank credit providers under supervision. They would also detail capital adequacy and management selection criteria,

²⁶ IMF, “Islamic Republic of Iran: 2015 Article IV Consultation,” Washington, DC, December 2015, pg. 4

establish internal audit and risk committees, and clarify foreign bank branching rules but parliamentary prospects are uncertain.

E. Bank Saderat Profile and Relationships

28. Saderat is one of the oldest banks, founded in 1952, and in contrast with Mellat and Tejarat was not the product of post-Revolution mergers. It is the export bank and has the most foreign branches and 2500 domestic ones, with over 30,000 employees, roughly one-third of the entire banking system. According to the central bank's latest September 2015 figures, Saderat controlled 22 percent and 17 percent respectively of loans and deposits, behind Mellat and ahead of Tejarat. It ranked third on the Tehran stock exchange in terms of bank capitalization at \$1.8 billion, and had the highest bad loan ratio among peers at 23 percent. Capital adequacy was 10 percent, up from 6.5 percent the previous year on asset revaluation.

29. Central bank borrowing was near 15 percent of its \$35 billion in assets the past five years, almost 5 percent above the industry norm and second after Mellat. The high level of borrowing by Mellat and Saderat illustrates their close connection to the central bank, and reliance on central bank vs. other borrowing in contrast to other wholly private banks in the system. The loan-deposit ratio is just 60 percent, reflecting a focus on other activities and the existing non-performing load yet to be written off. Profitability by return on assets and equity is under the industry average, while valuation with a price-earnings ratio above 8 as of March 2016 has recovered in line with competitors.²⁷ Fund managers attribute the rebound partially to its position as the most internationally-active bank, which enabled a jump in the letter of credit business for state infrastructure projects in 2015.

²⁷ Turquoise Partners-Firouzeh Asia, "Iranian Banking Sector Report, Tehran, June 2016, pgs. 33-42.

30. Less than 20 percent of Saderat's shares are available for public trading, since they are held by the government (22 percent) and state-linked long-term institutional investors including Salamat Insurance, a Labor Ministry subsidiary (3 percent), and Sepah Bank and the Oil Industry Pension Fund (1.5 percent each).²⁸ Sepah is the army's lender and Saderat handles Defense Ministry accounts.²⁹ Bank employees own 5 percent and the 40 percent Justice Shares, reportedly dispersed to millions of citizens through provincial arms in 2009, do not confer voting rights, are not traded on the exchange and are in fact controlled by the government through the provincial investment companies and the Privatization Organization. Based on 2012 information, Saderat's website³⁰ lists other specific holders: the Privatization Organization (4 percent); Sina Investment (5 percent), a unit of the Foundation for the Oppressed associated with the Supreme Leader; and another 5 percent block with the Bahman Group, controlled by the Revolutionary Guard (IRGC), and other buyers. Despite the UN sanctions imposed on Guard companies since 2010 until the Vienna agreement for aiding terror and nuclear proliferation, and the continuing US sanctions, Revolutionary Guard-connected entities indirectly possess sizable chunks of mainstream banks, with the Bahman Group a prominent exchange-listed conglomerate.

31. Saderat was the majority shareholder in Ghadir Investment, the largest conglomerate on the stock exchange valued at \$2.5 billion, but sold 51 percent to the Armed Forces Social Security Organization (SATA) in 2008 and another 10 percent stake in fiscal year 2015 to a SATA-led consortium,³¹ which boosted non-interest income for the bank, as its net interest margin shrank to 2 percent on lower benchmark rates. Another company affiliated with

²⁸ Turquoise Partners-Firouzeh Asia, "Iranian Banking Sector Report, Tehran, June 2016, pg. 71

²⁹ Luca, Ana Maria, "Tolerated But Not Trusted," *Now Media*, April, 25, 2012

³⁰ www.bsi.ir/en

³¹ "Bank Saderat Sells Shares in Investment Co.," *Financial Tribune*, September 23, 2014

Saderat through Saderat's 20 percent ownership interest in the company is the listed National Informatics Corporation, which dominates financial transaction processing.

32. Since the 1979 Revolution, Saderat's (including Bank Saderat Plc's) board and management have been appointed by the General Assembly of Public Banks, a government institution headed by the Economy Minister and can rotate among high industry positions. This may be illustrated by the brief biography of a board member of a private bank under administration in 2014: he was Chief Executive Officer of Bank Saderat Plc in London and had also serviced as a Saderat board member, chairman and managing director and previously also a Vice Governor of the central bank.³²

33. As with all banks nationalized since the 1979 Revolution, Saderat (including Bank Saderat Plc) is obligated to uphold constitutional mandates, including export of the "just struggle" against "hegemonic superpowers and tyrants."³³ Pursuant to these mandates, the US Treasury Department's intelligence arm found numerous occasions from 2001-06 where it funneled money for terrorist purposes, including \$50 million transferred from Iran's Central Bank through Saderat's London subsidiary and Beirut branch for Hezbollah. Soon after the rocket barrage, in 2007, and as a result of its transfers of funds to Hezbollah, Saderat (along with its London subsidiary Bank Saderat, Plc) was barred from the American financial system and the UN Security Council tightened sanctions. Iran's opposition in exile, the National Council of Resistance, pointed out at the time that the Central Bank head was high-ranking on Tehran's "sanctions evasion task force." It alleged that the specialist Agriculture Bank and Refah Bank

³² Futurebank.com, April 2014, brief biography of Dr. Hamid Borhani, Deputy Chairman of Futurebank.

³³ <http://www.cbi.ir/page/GeneralInformation.aspx>; <http://www.cbi.ir/showitem/2792.aspx>; Horowitz, Richard, A Detailed Analysis of Iran's Constitution, World Policy Blog, Oct. 12, 2010.

also set up structures abroad for the Defense Ministry's Sepah Bank for illegal purposes. According to a Harvard University 2008 publication recounting these findings, the Central Bank revealed "pride" in such maneuvers to aid Iran's banking institutions in their illicit terror financing activities "regardless of pressures."³⁴

34. Washington continued to warn through the FinCEN enforcement arm in 2010³⁵ that other state-owned banks and CBI itself could be used to evade sanctions and that "deceptive practices" such as name stripping may mask the role of designated violators. In recent years global banking groups have paid billions of dollars in record penalties, and faced potential Justice Department criminal prosecution for continuing to deal with sanctioned institutions. Deliberate artifice may have been a mutual strategy, as with HSBC where executives admitted removing account names. While other Iranian banks have re-accessed the SWIFT network since the implementation of the nuclear deal with Iran and the lifting of some sanctions, Saderat (and Bank Saderat Plc) did not join initially, and the delay likely is due to lingering reputation doubts with its track-record of hiding and supporting illicit engagement.

35. Bank Saderat Plc is the result of a 2002 merger at which time it became a full-fledged subsidiary of Saderat and is subject to complete control by Saderat. That UK subsidiary is 100% owned by its parent following the merger of Saderat's former London branch with Iran Overseas Investment Bank, which was owned by Saderat and three other Iranian banks, each effectively owned by the state and involved in similar trade finance business lines. The merger was a result of an agreement between the Bank of England and the Central Bank of Iran to

³⁴ Tanter, Raymond, "Illicit Money Trail Leads to Central Bank of Iran," John M. Olin Institute for Strategic Studies, Harvard University, May 9, 2008

³⁵ US Department of the Treasury, Financial Crimes Enforcement Network Advisory FIN-2010-A008 "Update on the Continuing Illicit Finance Threat Emanating from Iran," June 22, 2010

restructure Iranian banking outlets in the UK.³⁶ In the UK, subsidiary status provides relative anonymity: a subsidiary is only required to file its own financial statements and not that of its overseas parent.³⁷

36. Saderat's European branches, including its London subsidiary (Bank Saderat Plc) implicated in the above-referenced Hezbollah transfers (and sanctioned by the U.S. as a result), that handled trade finance and Defense Ministry accounts, were sanctioned by the EU in 2010 following UN resolutions. It appealed the ban to the European Court of Justice, which recently ruled that its designation as a state entity was no longer technically valid with private investor entry, but Brussels officials responded that Saderat (including Bank Saderat Plc) continues to "aid and abet" government nuclear and terror aims.³⁸ The fact that it is still subject to U.S. sanctions indicates that it still carries out Iranian state foreign policy objectives outside commercial banking.

37. A 2014 Iran News dispatch³⁹ highlighted the cash and military ties between the Islamic Republic and Hezbollah in Lebanon as "much wider" than for Hamas and other groups since the latter's leader Nasrallah is considered a "follower" of Supreme Leader Khamenei and publicly acknowledged his help in 2009. A 2013 feature in France's *Le Figaro*⁴⁰ estimated that Hezbollah received \$30 billion over 30 years, and cited "\$400 million in assistance through Saderat Bank and the Iranian Embassy in Beirut" in 2006, in addition to a \$14 billion rebuilding commitment from the Iranian government after the month-long fighting with Israel. A 2012 *Al-*

³⁶ Bank Saderat Plc website: <http://www.saderat-plc.com/>

³⁷ Donald Reig Group, "Setting Up in the UK – Branch or Subsidiary?" UK, October 31, 2013

³⁸ Ottolenghi, Emanuele, "Fake Privatization," *Jerusalem Post*, February 27, 2013.

³⁹ *Iran News*, "What is The Cause of Poverty and Unemployment in Iran: International Sanctions or Government Corruption?" May 5, 2014

⁴⁰ *Ibid.*

Akbar article⁴¹ pointed out the support “does not appear in any official budget” as it flows through religious associations and “various financial channels.” For example, donations of the Shiite “Khums” tax go directly to endowments managed by Iran’s Supreme Leader “for political purposes,” according to the Jerusalem Post, and Hezbollah’s political director acknowledged them in 2005 as a regular income source.⁴²

38. According to a 2012 report in Now Media,⁴³ Saderat has five branches in Lebanon dating back to 1963 when it was private, and, in response to inquiries, bank executives claimed they did not lend. Lebanon’s central bank recorded \$135 million in funds and \$16 million in deposits then, but local analysts noted that the Beirut branch handled cash transfers from Iran rather than standard banking. Saderat’s Lebanon website has no information on corporate lending, which is a mainstay business for other foreign banks in Lebanon. The Jerusalem Center for Public Affairs⁴⁴ added the same year that “Tehran believes the SWIFT ban can be breached through covert Saderat activity” with the Lebanese branches at “Hezbollah’s complete service” rather than for normal banking and “kept under wraps.”

F. Conclusions

39. As a cash conduit for Hezbollah prior to the 2006 cross-border rocket firing and death at issue in this case, Saderat (including Bank Saderat Plc) through its standout foreign presence among the leading Iranian commercial banks was following official edict,

⁴¹ Saad-Ghorayeb, Amal, “Hezbollah’s Iran Money Trail: It’s Complicated,” *Al Akhbar English*, July 31, 2012

⁴² “Gulf Shi’ites Paying Religious Tax to Iran are Funding Terror, Sunni Campaign Says,” *Jerusalem Post*, May 4, 2016

⁴³ Luca, Ana Maria, “Tolerated but Not Trusted,” *Now Media*, April 25, 2012

⁴⁴ Shapira, Dr. Shimon, “Will Lebanon Help Iran Circumvent Sanctions?” *Jerusalem Center for Public Affairs*, Vol. 12, No. 10, May 17, 2010

simultaneously undertaking both government policy and commercial goals. The state-run system has been politically-directed both in operational and regulatory terms since the Revolution. During the period in question, Saderat (and its London subsidiary) was directly and fully-owned and controlled by the government via board of director and officer appointments which are made by the government through the General Assembly of Government-run Banks, which is chaired by the Minister of Economic Affairs and Finance who reports to the president.

40. President Ahmadinejad, who came to power in 2005, had a distinct record of virulent anti-Israel statements and terror support resulting in international condemnation and sanction, and his administration regularly interfered in bank activities and personnel decisions and monetary policy conduct to ensure consistency with populist economic and aggressive foreign affairs programs. The regime was able to dictate Saderat's (including Bank Saderat Plc's) general strategy and specific transactions through total shareholding, board and management appointment, and central bank subservience through the Monetary and Credit Council. Later partial privatization in 2009 did not essentially alter the captive relationship. Commercial and central bank aims and accounts were often commingled. For example, as with cheap housing loans under the Mehr Housing program launched in 2007 sourced on both the Central Bank's and commercial banks' balance sheets at the direction of the government,⁴⁵ they would have acted simultaneously as diplomatic and military agents for legitimate and illicit purposes.

41. Saderat's London unit, which was shuttered by the EU under anti-nuclear and terror penalties, reportedly had the Defense Ministry as a major client. Additionally, Saderat's Beirut branch did not offer normal lending while absorbing large cash amounts, not typical banking activity for an international bank. The terror funding intelligence agencies traced

⁴⁵ IMF, Islamic Republic of Iran: Staff Report for 2014 Article IV Consultation, pg. 13, April 4, 2014

millions of dollars in transfers to Hezbollah through Saderat's headquarters and overseas network (including its London subsidiary), reflecting the bank's existing profile and behavior pattern, in view of individual features and the entire Iranian financial sector's lack of legal and practical independence. Despite the subsequent Treasury Department and international crackdown, the Central Bank proclaimed "pride" in continuing to work with banks to uphold their range of regime-determined activities.

42. This basic position remained even after 2009's "privatization" (in name only), where shares were distributed to the public and sold to government insiders in a process often compared with the post-communist voucher and "crony" schemes in Eastern Europe. According to independent and involved sources this created a wealthy government-connected elite and failed to exercise corporate governance imposing discipline and efficiency. The state, both directly and through its company arms and proxies, including the still-sanctioned Revolutionary Guard, retains core shareholder and management responsibility over Saderat (and its London subsidiary), with the same tendency to mix business and unrelated governmental imperatives eroding efficiency and financial performance. Iranian economists have argued that bank and enterprise selloff reinforced cartels and monopolies, and Saderat and its two close peers maintain outsize loan and deposit dominance. The continued dominance of Saderat, Mellat, and Tejarat indicates that borrowers and savers believe that the government controls the institutions and will stand behind them in the event of financial difficulty in the absence of formal deposit insurance.⁴⁶

⁴⁶ Under partial privatization, former large state banks typically retain the largest presence in the banking system as public and private corporate and retail customers believe that the state will always come to the rescue of the institutions. The world's largest state banks, China's "Big 4," still dominate the industry despite minority share sales on stock exchanges despite introduction of deposit insurance.

43. The Central Bank's role during these divestitures did not evolve in similar fashion toward greater nominal autonomy, postponing a crisis reckoning that was aggravated by recent commercial isolation and oil price collapse but also self-inflicted. The IMF and other analysts criticized overlapping credit and political functions and the absence of genuine institutional reforms. The current Rouhani government inherited a banking mess requiring immediate recapitalization, bad loan cleanup, and supervisory strengthening, and will take concrete steps in the coming months. However, Rouhani has not suggested overhaul of the original model Saderat exemplifies, still lauded by political and religious leaders. Its revolutionary contribution beyond traditional savings mobilization and intermediation was demonstrated during the 2006 Hezbollah-Israeli conflict, and system preservation since underscores a seamless banking-government nexus.

I DECLARE UNDER PENALTY OF PERJURY UNDER THE LAWS OF THE
UNITED STATES OF AMERICA THAT THE FOREGOING IS TRUE AND
CORRECT.



Gary N. Kleiman

September 21, 2016

Date

EXHIBIT A

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1987-Present **Kleiman International Consultants, Inc.**, New York and Washington
Senior Partner

Global economic and financial specialists, the firm provides independent monitoring and analysis of worldwide banking and securities markets, with an emphasis on the emerging economies of Latin America and the Caribbean, Asia/Pacific Rim, Southern and Central Europe/Central Asia, Africa, and the Middle East. The company provides regular training and technical assistance in financial sector development in emerging markets, specializing in capital markets. The group's client base includes international banks, securities firms, brokerages, fund managers, multilateral organizations, government agencies, development groups, trade associations, and private investors.

2003-2007 **First Initiative**, London
Technical Assistance Panel, Financial Sector Reform Expert

2005, 2009 **Georgetown University School of Foreign Service**, Washington, DC
Adjunct Professor

Selected client work:

Assessments/Technical Assistance
Africa/Middle East

- Kenya Debt Market Investor Survey and Development Recommendations
 - Undertook three week field mission to analyze local debt market; surveyed public and private financial sector professionals and provided detailed recommendations for future development
- Analysis of GCC fund flows to emerging markets
 - Prepared an in-depth review of public and private sector GCC investment in emerging markets globally
- Analysis of the financial sector in Zimbabwe

- Prepared assessment of the bank and non-bank financial sector following 8 years of economic decline
- Expert witness in London on Southern African country debt restructuring issues
 - Prepared in-depth analysis on commercial vs. official restructuring
- Analysis and recommendations on preparation of Rwanda's Financial Sector Development Plan for First Initiative
 - Assisted policymakers and practitioners in preparing concrete action plan for initiating FSDP
- Expert witness in London on Central African country debt payment capacity
 - Prepared in-depth analysis of the country's capacity to service outstanding commercial obligations
- Analysis and recommendations for Zambia's Financial Sector Development Plan for First Initiative
 - Worked with policymakers and practitioners in every segment of Zambian financial sector to help revise and refine the country's FSDP and provided concrete recommendations for future efforts
- Technical assistance to Malian public and private sector representatives to develop quality business plans and project proposals for Corporate Council on Africa Summit for USAID
 - Worked with selected individuals to produce professional business plans complete with the necessary financial projections and data acceptable to the U.S. private sector with the ability to attract U.S. direct investment or equity partnerships
- Analysis of status and development potential for 8-nation West African (UEMOA) zone debt market for International Finance Corporation
 - Assessed the scope, size and characteristics of the nascent corporate bond market in the West African Economic and Monetary Zone and identified impediments to development. Prepared recommendations for the development strategy.
- Assessment of cocoa sector reform program and development of alternative financing vehicles for Ghana for USAID
 - Undertook three week field mission to analyze current and potential financing vehicles to spur cocoa sector reform and development. Proposed creation of public-private cocoa financing corporation and asset-backed securities as new institutional models.
- Comprehensive assessment of non-bank financial market development in the Central Africa Franc Zone and recommendations for assistance for World Bank
 - Analyzed development of insurance, leasing, and other non-bank financial institutions throughout the zone. Also covered informal financial sector. Provided strategy proposals for World Bank assistance in financial sector including creation of regional stock exchange and harmonization of prudential and regulatory norms.

- Evaluated debt management training programs for UNITAR
 - Following engagement to develop and teach a three-day workshop on “Raising Debt via the Private Sector,” reviewed other training programs which focused solely on the public sector and international debt markets. Recommended revision of focus to development of domestic market and inclusion of wide range of private sector participants in training programs.
- Research and analysis for mission on capital market development in Algeria for World Bank
 - Participated in a two-week review of the economy and financial sector with a team of World Bank staff and consultants and provided recommendations for multilateral assistance in both broad financial sector, and specific capital market reform and development programs. Identified oil company for pilot issue, later adopted as the first listed security.
- Study of sub-Sahara Africa banking/capital markets and private equity investment opportunities for international bank
 - Provided a comprehensive analysis of the status of the banking and capital market environment in the SADC region and East Africa. Assessed specific non-resource sectors for private equity participation, including consumer and retail segments.

Asia/Pacific Rim

- Analysis of Vietnam’s financial sector development
 - Traveled to Vietnam to meet with public and private sector market participants to assess current status and future outlook
- Analyzed evolution, status and outlook for Asia Bond Market Initiative
 - Held meetings with public and private sector market practitioners and provided assessment of ABMI’s development
- China’s Private Sector Vulnerabilities: A Medium-Term Outlook
 - Provided an up-to-date analysis based on foreign investor views of the potential, timing and impact of a currency shift over the next one to three years; an assessment of the non-bank financial institution sector where major US and European investment houses are jockeying for position as WTO spurs opening advances and rescues have raised moral hazard and resolution questions about supervisory quality; and an examination of the implications for domestic and overseas markets of Chinese companies’ expanding global presence in the wake of repeated collapses and scandals of prominent listed firms
- Prepared comprehensive analysis on investors’ perspectives of China,
 - Incorporated views of debt, equity, private equity and foreign direct investors
- Analyzed evolution, status and outlook for development of Islamic finance in South East Asia

- Traveled to Malaysia, Indonesia, Thailand and Philippines and held meetings with public and private sector to provide comprehensive assessment and cross-country comparison of bank, non-bank financial institution and capital market operations
- Prepared analysis on Outlook for Foreign Direct Investment in South East Asia
 - Researched, through meetings in Malaysia and Singapore and published studies and data, the slowdown in FDI. Analysis highlighted status of corporate and financial sector reform, data gaps, intra-regional investment flows, and China.
- Analyzed economic decentralization and the current and future direction in Indonesia at the time of the political transition
 - Traveled to Jakarta and held meetings with public and private sector to determine current impact and outlook for investment, economic development, and the fiscal balance following steps on decentralization.
- Analyzed China-Hong Kong banks and non-bank financial institutions and prepared comprehensive paper identifying operational and regulatory weaknesses
 - Researched operational and regulatory framework in banks and NBFIs including linkages through conglomerates and trust and investment companies, and analyzed cross-border exposure and potential impact in Hong Kong of banking sector crisis in the Mainland.
- Consulted with USAID on the Accelerating Economic Recovery Program in Asia initiative
 - Suggested program interventions to promote bank and non-bank diversification including debt market development, consumer financing, and leasing.
- Prepared analysis on impact of derivatives in emerging markets during Russian and Asian financial crises for World Bank's annual Global Development Finance
 - Offered narrative and statistical tables for over-the-counter activity in relation to currency distress and measures to address gaps in regional and global oversight and tracking.
- Asian Bond Market Study for World Bank: Tax and Singapore chapters; general country risk and emerging markets commentary
 - Served as private sector advisor to landmark pre-crisis survey of regional enabling environment and development priorities.

Latin America/Caribbean

- Prepared analyses on financial crises in selected Caribbean markets
 - Traveled to Jamaica, Dominican Republic and Eastern Caribbean states and held meetings with public and private sector to determine current status and future outlook for economy and financial sector

- Prepared paper on “Brazil’s Election, Economy and Market Performance: Impact of the Campaign”
 - Analyzed impact of market turmoil in Brazil on the global emerging debt market, and assessed the sustainability of the public debt, outlook for the currency on reduced direct and portfolio inflows.
- Analyzed impact of Panama’s Brady Plan/commercial bank debt restructuring for World Bank
 - Interviewed local financial community to determine impact on sovereign creditworthiness and domestic financial sector deepening. Provided World Bank advice on promoting new instruments and regionalizing the stock exchange to attract significant private international capital flows.
- Reviewed Dominican Republic’s draft capital markets law for the World Bank
 - Critiqued respective self-regulatory and official oversight responsibilities relating to ratings agency and brokerage authorization and conduct.
- Analysis of foreign institutional investment in Colombian securities markets in Latin American and Asian perspective, and recommendations for improving climate for World Bank/UNDP
 - Contributed to findings of Ministry of Finance working group on modernization published in conjunction with the country’s leading think tank.
- Assessment of Haitian financial sector and recommendations for post-embargo support for Inter-American Development Bank
 - Reviewed macro-economic, prudential and institutional frameworks, and provided strategic ideas for pilot projects such as encouraging banking system reform to attract funds to the formal financial sector.
- Caribbean Offshore Financial Services Study for World Bank: prospects for Caricom development of regional models and alternatives
 - Performed field work to evaluate on-shore market and provider linkages and offered suggestions for development including possible creation of “single passport” banking and securities markets.
- Prepared a competitive analysis of Mexican banks/brokers for private sector client
 - Evaluated professional, operational, and financial strength of intermediaries for possible client partnering.

Southern & Central Europe/Central Asia

- Performed financial sector assessment and action plan for Brcko District, Bosnia and Herzegovina
 - Reviewed existing financial system and provided concrete recommendations for needed instruments and operations that could be launched in the near-term under the auspices of the UN Office of High Representative.

- Prepared paper on “The Crisis in Turkey: Assessing the Political Impact on Debt, Economy”
 - Reviewed the political environment in advance of the election, and analyzed economic stabilization efforts and financial sector reform progress under the IMF program. Assessed the sustainability of the domestic and external debt burden.
- Prepared comprehensive financial sector profiles for Central Europe/Central Asia for World Bank and co-wrote paper on “Financial Sector Reform in the Smaller Transition Economies of Central Europe/Central Asia” published by World Bank’s Economic Development Institute
 - Authoritative summary of regional financial sector development in areas of international codes and standards. Prepared and distributed surveys to public and private sector market participants, and analyzed best practice.
- Evaluated Romanian capital market development and assistance for USAID
 - Provided private sector input for official program evaluation.
- Analysis of Poland’s capital markets and specific recommendations for modernization and internationalization for World Bank
 - Completed pre- and post-trip comparative emerging market survey of early securities market progress.
- Study of employee ownership opportunities in Central Europe for a private foundation
 - Met with officials and financial institutions to assess prospects for Employee Stock Ownership Plans.

General emerging markets assessments/technical assistance for public and private sector clients

- Prepared in-depth analysis of emerging market derivatives
 - Reviewed growth of on- and off-exchange derivatives available in both local and international markets for emerging markets investors
- Comprehensive assessment of emerging markets vulnerability
 - Provided in-depth analysis of potential threats to emerging stock, bond and currency markets following three year bull market covering full range of issues including carry trade unwinding, over-valuation, etc.
- Prepared comprehensive analysis on the development of and investor appetite for new instruments in emerging markets.
 - Identified and analyzed development of new investment instruments, with particular focus on GDP-linked bonds.
- Prepared analysis in “Lessons Learned in Financial Sector Development: Applying Experiences from Central Europe, Central Asia and Africa to Iraq, August 2003.

- Reviewed identification and sequencing of financial sector development in economic/monetary policy, banking/non-bank financial institution and capital markets in economies in transition over the past decade and provided suggestions for application in Iraq.
- Prepared comprehensive analysis on “Islamic Finance: Evolution and Risks”
 - Reviewed growth of Islamic finance industry in traditional and non-traditional emerging and developed markets worldwide. Provided insights into individual country and global financial system risks from rapid industry development.
- Prepared analysis on “Domestic Debt Dynamics in 2003: Assessment of Vulnerabilities in Selected Emerging Market Countries”
 - Provided in-depth review of domestic bond market developments and capacity for local debt burden sustainability on range of emerging market countries.
- Prepared analysis on “Sovereign Debt Restructuring: Impact for Emerging Market Finance”
 - In advance of the Spring meetings of the World Bank/IMF, provided an assessment of the status of proposals, including the IMF’s Sovereign Debt Restructuring Mechanism and the US Treasury’s insertion of contingency clauses. Reviewed views and opinions of industry groups including Securities Industry Association and Emerging Markets Traders Association, and assessed the impact on adoption of a formal mechanism on the financing costs for emerging markets and on long-term investors.
- Prepared analysis of “Future Emerging Markets: Private Finance’s New Poor Country Focus”
 - Provided review of withdrawal from major emerging markets in wake of Argentine default, and assessed increased exposure to smaller, non-correlated debt and equity markets by international institutional investors. Provided insights on the Poverty Reduction Strategy Papers, and previewed new private sector involvement in poor countries through investment and participation by large and specialized industry groups like World Economic Forum and Institute for International Finance in international conferences such as the UN’s Financing for Development Summit.
- Prepared analysis on potential international investor repercussions from Ecuador default
 - Analyzed the broader issue of burden sharing in sovereign debt workouts between the IMF and private sector bond holders.
- Prepared background paper on derivatives in emerging markets
 - Prepared analysis of global trends in on- and off-exchange currency and interest rate forwards and swaps, and other derivatives.

- Researched, analyzed, and presented paper on the role of non-bank financial institutions' operations and regulatory framework in seven emerging economies
 - Completed comprehensive analysis of formal and informal non-bank financial institutions in seven emerging economies including Brazil, India and Turkey.
- Analyzed business opportunities at multilateral institutions for international bank
 - Analyzed guarantee and project finance opportunities at World Bank and regional development banks.
- Researched and prepared comprehensive assessment of international institutional investor decision-making criteria
 - Undertook in-depth six month analysis through interviews to assess how portfolio investors view emerging market investment opportunities. Covered full range of factors driving portfolio flows including macro-economic, policy, structural reform, market operations and regulation, and financial sector intermediaries.
- Analysis of fixed income opportunities in fifty emerging markets for private investor
 - Compiled extensive data on local currency investment opportunities in 50 emerging economies in Central Europe, Africa/Middle East, Latin America/Caribbean, and Asia.
- Comparative analysis of global institutional investor interest/activity/investment strategies in emerging markets for a multilateral institution
 - For World Bank, provided study on financial integration. Assessed private capital flows historically since 1985 and detailed investment decision-making factors.

Training/Seminars

Africa/Middle East

- Panelist on roundtable for private sector client on Iranian financial sector
- Panelist for Middle East Debt Markets Conference sponsored by Euromoney
- Panelist on roundtable on outlook for investment in Iran post-sanctions
- Panelist for annual African Investment Forum co-sponsored by Standard & Poor's and South Africa's Standard Bank
- Developed and taught 3-day course on Emerging Bond Markets for UK Commonwealth Cooperation Country members
- Developed program for private sector roundtable on attracting portfolio inflows to Africa for AGOA Private Sector summit
- Conducted capital markets workshop for Africa Growth and Opportunity Act Summit in Senegal

- Developed and organized “Central African Securities Market Development” workshop in Cameroon for World Bank/BEAC
- Facilitated roundtable on “Emerging Market Credit Ratings” for Africa Capital Markets Conference sponsored by Center for Strategic and International Studies
- Developed and taught three-day regional workshop on “Raising Debt via the Private Sector” in Nairobi and Harare for UNITAR
- Managed World Bank seminar for East African bank regulators in Arusha, Tanzania; presentations on regional integration

Asia/Pacific Rim

- Prepared and presented analytical briefing on Indian financial markets for US government sponsored conference
- Participated in World Bank/Asian Development Bank conference in Bali on “Private Capital Flows to Asian Markets”

Latin America/Caribbean

- Prepared and presented analysis on “Latin Local Debt Market Development Progress: Implications for Costa Rica,” for local stock exchange/securities commission seminar
- Prepared and presented “Latin Local Bonds: Foreign Fund Managers New Focus” for Inter-American Development Bank’s “A New Focus for Capital Market Development in Latin America and the Caribbean.”
- Prepared and presented paper on “Foreign Bank Entry and Non-Bank Financial Institutions” for World Bank Annual Latin American/Caribbean Development Conference
- Researched and presented status of debt markets in region for Inter-American Finance Corporation’s Annual Capital Markets Roundtable
- Speaker on asset and liabilities management and country risk assessment and final session moderator at UN workshop on financial institutions and capital market development in the Caribbean
- Presentation on European financial integration for Central American government officials at regional seminar sponsored by World Bank
- Analyzed and presented financial services development capacity in Panama for World Bank/Inter-American Development Bank

Southern & Central Europe/Central Asia

- Planned a series of workshops and presented papers on Financial Sector Reform for Central European and Central Asian officials for World Bank/OECD on a range of topics, including:
 - “Pension Fund and Emerging Financial Market Globalization: Background for Central Asian Reform”
 - “Banking and Non-Bank Financial Institution Risks”
 - “Securities Market Development for Market Regulators: The Private Sector View”

- “Sequencing in Securities Market Development: Economic and Banking System Stabilization”
- Planned and participated in Czech Republic securities market development workshop for World Bank
- Presentation on international portfolio investor requirements in emerging markets for Croatian and international financial sector representatives
- Presentation on Banking Sector Regulation in Financial Market Assessment for Bulgarian bank regulators sponsored by US Treasury Department
- Prepared and participated in seminar on off-shore banking for Lithuanian financial sector executives and officials for USAID

General emerging markets training/seminars for public and private sector clients

- Facilitated roundtable on “Emerging Market Credit Ratings” for Africa Capital Markets Conference
- Presented private sector view on the World Bank “Poverty Reduction Strategy Papers” for the Carter Center
- Performed in-depth survey on impediments to financing with private sector investors for presentation at the Business Summit at the UN Financing For Development Summit in Monterrey, Mexico
- Designed program and identified 40 speakers for the “Capital Market Development in Emerging and Transition Economic: Trends and Challenges” for US Agency for International Development.
- Presented briefing on recent global financial services initiatives for Bankers Association for Foreign Trade
- Participated in the Council on Foreign Relations Economic Studies Roundtable on “Country Risk Analysis in the Post-Asia Crisis: Identifying Risks, Strategies, and Policy Implications”
- Prepared and presented lecture on “Emerging Securities Markets: Changing Criteria” for Washington International Trade Association
- Participated in USAID internal seminar on Privatization and Capital Market Development
- Presentation on “Key Considerations in Financial Market Assessment: Lessons from India, Peru, Poland, and Zimbabwe” for World Bank
- Presentation on private sector view of bank supervision for senior bank supervisors from developing countries at seminar sponsored by World Bank
- Technical workshop leader for week-long privately sponsored emerging markets development program

1985-1987 **Curtis J. Hoxter, Inc.**, New York, NY
Senior Account Executive

- 1984-1985 Manager at international economic and communications consulting firm serving primarily European bank clients
van Kloberg and Associates, Ltd., Washington, DC
Senior Associate
- Manager at international public affairs consultancy serving primarily developing country clients
- Kleiman and Associates, Harrisburg, PA
Principal
- Operated international political and economic consulting firm for local businesses
- 1983 **United Nations Development Program**, Thailand and Philippines
Refugee Officer
- 1982 **European Community Business Cooperation Program**, Tunisia
CEO Adviser

Publications

Columnist, Financial Times (2001-07, 2015-present)
 Contributor, International Economy Magazine (2005-present)
 Regular columnist, Asia Times (atimes.com)
 Regular contributor bne Intellinews

Selected articles:

“Economic Monitor: Indonesia’s Nagging Negative List Lurch,” Asia Times, April 23, 2016
 “Balkan Stock Exchange Combination to End Investor Isolation,” bne Intellinews, March 21, 2016
 “China-Iran Banking Blight Awaits Clean Slate,” Financial Times “beyondbrics,” March 10, 2016
 “Cyprus Reunification Could be Salve on Russia-Turkey Spat,” bne Intellinews, February 23, 2016
 “Haiti Needs Post-Election Energy to Overcome Aid Fatigue,” Financial Times “beyondbrics,” January 27, 2016
 “Economic Monitor: Iran’s Sputtering Stock Market Sanctions Lift,” Asia Times, January 20, 2016
 “Turkey’s G-20 Summit Should Commit to New Generation of SME Reforms,” bne Intellinews, October 22, 2015
 “Are Global Refugee Bonds an Answer to the Migrant Crisis?” Asia Times October 22, 2015

Contributor to “Special Report: Private Equity in India,” Emerging Markets Private Equity Association, September 2015

Press Citations: New York Times, Wall Street Journal, Investor’s Business Daily, Reuters. Financial Times, Asia Times

Radio/TV Appearances: Bloomberg, CNBC, BBC, CBC

Memberships/Associations

DC Roadrunners Age Group Ranking; Coach, Fleet Foxes Track Club
Member, Bretton Woods Committee, Founding member of Group to Assist Poor Country Private Sector Development (GAPS)
Instructor for “Strategic International Economics,” US Department of Agriculture Graduate School
Board, American Friends of the LSE
Member, Washington International Trade Association, Friends of Fairfax County Library System
Contributor, Project on National Security Reform, Center for Global Development
Emerging Markets Policy Advisor, US Presidential Aid-Finance Initiatives and Campaign Economic Teams, US Treasury Department
Lecturer, State Department International Visitors Program
Council on Foreign Relations Sovereign Risk Roundtable
World Economic Forum Future International Monetary System Project
Listed: Marquis Who’s Who in America
Chair and Moderator-Speaker, Terrapinn Conferences: World Stock Exchange, Asia, Latin America, and Middle East Investment 2008-11

Education

London School of Economics, General Course/ MS, 1982
Georgetown School of Foreign Service, BSFS, magna cum laude, Truman Scholar, 1981
Institut d’Etudes Politiques, Paris, certificate program, honors, 1980

Language knowledge: French, fluent; Spanish, advanced; Russian, basic